

ARIZONA TAX NEWS



Janet Napolitano, Governor

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ARIZONA DEPARTMENT OF REVENUE MISSION STATEMENT

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

CUTS IN STATE BUDGET WILL AFFECT TAXPAYER REFUNDS

Like other state agencies, the Arizona Department of Revenue is cutting costs to reduce their impact on the state's budget. For example, the seasonal employees used during the peak income tax season have been greatly reduced and will possibly be eliminated. In addition, nearly all employee overtime and travel has been suspended and all department employees will be reassigned to open mail between January and April. Other areas of the department's operations affected by the cuts include printing, filling of vacant positions, elimination of positions and a reduction in postage costs.

Mary McGrady, Income Tax Process Administrator said, "Even by reassigning staff to help cover the lack of seasonal help, the department anticipates income tax refunds will take as much as 12 – 15 weeks to reach the taxpayer's mailbox if a paper return is filed.

This year more than in previous



years, the Department encourages Arizona taxpayers to file via its alternative filing method, E-File, and choose the direct deposit option for their refunds. These options put the refunds into the taxpayers' bank accounts much faster than paper returns. "A refund that is direct deposited from an electronic return takes as little as 7 days to reach the taxpayer", says Donna Muccilli, E-Commerce Marketing Executive.

This will not be an easy time for any of us. The department asks for patience and cooperation during these cutbacks. DOR will strive to provide the best possible service for its customers.

*** * * REMINDER * * ***

FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your
December 2002 TPT return no later than
January 27, 2003 or deliver to DOR no later
than January 30, 2003.**

**OCTOBER SUMMARY OF
GENERAL FUND REVENUES**

	<u>October 2002</u>	<u>Fiscal Year Total</u>
Individual Income Tax		
Net Collections	\$145,783,327	\$617,328,092
Percent Change *	(10.1%)	(7.3%)
Corporate Income Tax		
Net Collections	\$18,274,465	\$116,958,834
Percent Change *	(37.4%)	(16.7%)
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$242,468,120	\$993,670,393
Percent Change *	1.2%	1.4%
Total Big Three Tax Types		
Net Collections	\$406,525,912	\$1,727,957,319
Percent Change *	(5.7%)	(4.8%)

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax

Individual Income Tax Receipts

	October 2002	October 2001	%
Gross Collections	\$19,702,835	\$23,121,376	(14.8)
Withholding	185,218,851	202,066,912	(8.3)
Refunds	(23,258,438)	(27,788,950)	(16.3)
Urban Rev Sharing	(35,879,921)	(35,156,381)	2.1
Net Collections	\$145,783,327	\$162,242,958	(10.2)
Fiscal Year Total (02/03)		(01/02)	%
Gross Collections	\$109,478,527	\$123,640,487	(11.5)
Withholding	726,488,608	761,767,798	(4.6)
Refunds	(75,119,359)	(78,722,412)	(4.6)
Urban Rev Sharing	(143,519,684)	(140,625,524)	2.1
Net Collections	\$617,328,092	\$666,060,349	(7.3)

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. After offsetting \$25,722 in tax liability, refunds for this credit totaled \$99,059. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle credit.

TAX CALENDAR

JANUARY 2003

Due Date		For Period Ending
1	State Holiday - New Year's Day	All State Offices Closed
20	State Holiday - Martin Luther King, Jr./Civil Rights Day (Observed)	All State Offices Closed
15	Income Tax Returns:	9/30/02
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
15	Form 120: Corporation with Automatic Extension	3/31/02
15	Form 120S: S Corporation	10/31/02
15	Form 99: Exempt Organization Annual Information Return	8/31/02
	Form 99T: Unrelated Business Income	
15	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	9/30/02
	Second Installment	7/31/02
	Third Installment	4/30/02
	Fourth Installment	1/31/02
20	Form TPT-1: Transaction Privilege Tax: December Monthly Filers, Quarterly and Annual Filers	12/31/02
20	Bingo: Financial Reports	12/31/02
20	Luxury Tax: Various Forms	12/31/02
27	EFT Form TPT-1 and Payment: Transaction Privilege Tax: December Monthly Filers,	12/31/02
31	Form A1-QRT: Withholding Tax	12/31/02

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The Arizona Tax News is a monthly publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in alternative formats upon request by calling the telephone number shown below. Subscription information may be obtained from: **Diane Sosinski** or **Tony Manzo** at (602) 542-4672.

ALTERNATIVE FUEL VEHICLE REPORT FOR NOVEMBER, 2002

For the period of November 1 through November 30, 2002, the department received 10 individual income tax returns with claims for alternative fuel related credits totaling \$72,000. A total of 5,602 individual income tax returns with claims have been received from January 2001 through November 2002, totaling \$103.7 million in credit. The department received 5 corporate income tax returns in November with claims for \$81,000 in alternative fuel related credits. A total of 215 corporate income tax returns with claims have been received from January 2001 through November 2002, totaling \$19.5 million in credit.

- The dollar amount of verified credits claimed in the preceding calendar month not used to offset income taxes under title 43, Arizona Revised Statutes.

For the period November 1 through November 30, 2002, the department issued 14 individual income tax refunds for alternative fuel related credits. There was \$243,594 in AFV credits on these returns. After offsetting \$39,869 in liability, \$203,725 was refunded. The department issued two corporate refunds for alternative fuel related credits. There was \$133,973 in AFV credit on these returns. After offsetting \$7,702 in liability, \$126,271 was refunded.

The total for this refundable credit since the inception of the program (both corporate and individual) is \$14,743,665 in liability offset and \$102,000,273 in refunds sent out, for a total cost of \$116,743,938.

(Liability offset means that the credit is first used to reduce any tax liability on the tax return to \$0.)

Combining the corporate and individual income tax return amounts results in \$329,996 that should be transferred from the Budget Stabilization Fund into the General Fund for November 2002. In fiscal year 01, \$66,360,441 was paid from the Budget Stabilization Fund into the General Fund; for fiscal year 02, \$33,277,654 was paid from the Budget Stabilization Fund into the General Fund. In this fiscal year, \$2,362,178 is the total to be paid from the Budget Stabilization Fund, putting the overall total coming from the Budget Stabilization Fund for alternative fuel vehicle credits at \$102,000,273.

- The cumulative dollar amount of the credits claimed in all taxable years, beginning from and after December 31, 2000.

The cumulative dollar amount of credits (individual and corporate) claimed is \$123.2 million.

- Any estimated amounts remaining to be claimed as credits in each fiscal year.

Through November 2002, 5,817 (corporate and individual) claims have been received. Those claims reviewed include 5,594 claims for 6,221 vehicles, claims for 31 refueling stations and claims for 726 refueling apparatuses. (Claims that have not yet been reviewed are not included in

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BRITS UPDATE FOR JANUARY

Lately, you've been reading a lot about our new BRITS system. We're very excited about it and you should be too. BRITS will enable the Department to provide you and your clients better, more efficient service. Relationship management is one of the features of BRITS that will enable the Department to provide enhanced service.

Because BRITS is an integrated system, it has the ability to manage relationships in 3 important ways. First, the Integrated Tax System can track relationships between individuals and other entities. This would include spouses (in the case of Individual Income Tax) and business entities (in the case of licensed businesses). For instance, a search for an individual in the system may identify current and former spouses and ownership information in businesses, whether they are Sole Proprietorships, Partnerships, or Corporations. It will also identify relationships that exist between entities, including successor entities, subsidiary entities or other relationships that may be identified through licensing or audit activities.

Second, it manages the relationship between taxpayers and the Department. The crown jewel of BRITS is the Customer Relationship Management (CRM) component. This tool enables customer service representatives to provide one-stop service for all taxpayer problems and inquiries. In addition to currently available channels like the telephone or mail, this service level can also be achieved on the Internet. The Electronic Taxpayer Service Center will contain complete taxpayer records including imaged correspondence, images of filed returns, payments, registrations, audit activity, billing records and prior taxpayer contact.

Lastly, it manages the relationship between the Department and authorized representatives through an improved Power of Attorney (POA) process. This process will not only indicate the authorized relationships by tax type, form type and year, but will also have an image of the Power of Attorney form in case of any questions about what was submitted. The POA form will be imaged immediately after receipt as part of the correspondence processing system and will be available to anyone who needs to see it in the system.

IMPORTANT MESSAGE FROM ARIZONA DEPARTMENT OF WEIGHTS AND MEASURES

Do you use a commercial weighing or measuring device, drive a taxi, own/operate a fuel dispensing site or use a scale to determine the cost of any commodity? If yes, any commercial weighing or measuring device must be

licensed. These include such devices as scales, meters, fueling dispensers and liquid (water, etc) measuring devices. For more information visit the Arizona Department of Weights and Measures website @ www.weights.az.gov.

E-FACTS ... DID YOU KNOW

1.3 million Arizona taxpayers can receive their refunds in as little as seven days this year. Faster refunds is just one of the many e-file benefits provided through the Fed/State e-file program. Refunds are received in as little as seven days and are safer with direct deposit option. A refund using the traditional paper filing method will be delayed by as many as twelve weeks due to recent budget cuts (see front-page story). **Your clients deserve the best service possible...e-file returns as a part of your client services!**

488,000 Arizona taxpayers didn't lay awake at night wondering if their 2001 tax return was received by DOR. Taxpayers' who e-file receive confirmation that the department received their return. This service is not available when using the traditional paper filing method. **Help your clients sleep at night...e-file returns as a part of your client services!**

207,552 taxpayers received their 2001 income refund within seven to ten days. It's easy to provide this level of service to your client just by encouraging them to e-file and choosing the direct deposit option. **Make sure your client counts...e-file for faster refunds!**

96% of Arizona income tax returns are eligible to be e-filed. E-file is the fastest, easiest, and most accurate way to file.

Increase client satisfaction...e-file returns as a part of your client services!

You could be on vacation April 15th. E-file is not just for refund returns. Clients who are not expecting a refund can schedule their appointment early in the tax season. The return can be e-filed early and the Electronic Funds Withdrawal (direct debt) payment option can be used to pay the tax due by the April deadline without even writing a check or mailing an envelope. **Schedule your well-deserved vacation early...e-file returns as a part of your client services!**

You could be Number "1"! Tax preparation software eliminates errors you may make, and *e-file* processing of the Federal and state return eliminates most errors. The error rate on an *e-file* return is less than one percent. **Clients don't like getting tax change notices from DOR... e-file returns as a part of your client services. You'll be number "1" with your clients!**

Changes to Town Tax Code Pinetop- Lakeside Effective: January 1, 2003

The Mayor and Town Council of the Town of Pinetop-Lakeside passed ordinance 02-212. Ordinance 02-212 establishes a 2% Additional Tax on Restaurants and Bars. The **2% Additional Tax on Restaurants and Bars** will be reported under **Code PP4**. The total town rate for restaurants and

bars is 4.5%, 2.5% which is reported using code **PP** and 2% which is reported using code **PP4**.

COCONINO COUNTY CAPITAL PROJECTS TAX

Effective January 1, 2003: Voters of Coconino County approved the levy of a Coconino County Capital Projects Tax on November 5, 2002. The County Capital Projects Tax is to be applied at 2.5% of the Transaction Privilege Tax rate levied by the State of Arizona, (.125% or .00125 for most business classifications), as stated in A.R.S. §42-6111. The combined rate for most transactions will be 6.525%.

Prime contractors reporting under Class 15 *only*: Prime contracting contracts entered into prior to the November 5, 2002 election may not be subject to the increase in the tax rate under specific conditions approved by the Arizona Department of Revenue. For more information, contact the Arizona Department of Revenue's Taxpayer Information & Assistance Section at 602-255-2060 or in state toll free 1-800-843-7196, or check our website @ www.revenue.state.az.us.

TO ENSURE PROPER POSTING OF YOUR RETURNS & PAYMENTS

Please use the following addresses:

Transaction Privilege and Use Tax
PO Box 29010
Phoenix AZ 85038-9010

Withholding Tax
PO Box 29009
Phoenix AZ 85038-9009

Corporate, S-Corp, Partnership
and Exempt Organization Tax
PO Box 29079
Phoenix AZ 85038-9079

Alternative Fuels Report

(Continued from page 3)

this count.) While most returns for 2000 filers have been received, there may be additional claims made through late filers and amended returns. Also, there are taxpayers who are first qualifying for a credit on their 2001 tax returns. At this time, the department has no independent means of estimating the amount yet to be claimed.

If you should have any questions, please contact Anthony Forschino at (602) 542-4672.

Very truly yours,
Mark W. Killian, Director

Income Tax Practitioners' Workshop

Flagstaff – January 8 – 9, 2003, DuBois Conference Center, NAU Campus
Phoenix – January 13 – 14, 2003, ASU Downtown Center, 502 E Monroe St.
Tucson – January 15 – 16, 2003, Radisson City Center, 181 W Broadway

Workshop benefits –

- Examine new federal and state legislation
- Investigate technical areas that frequently cause problems for taxpayers
- Receive helpful tax preparation materials
- Review 2002 tax provisions
- Understand preparer responsibilities
- Receive Arizona Department of Revenue handouts

Presented by

Northern Arizona University, Bank One Center for Business Outreach (928-523-3322)
Arizona State University, College of Extended Education, Academic and Professional Programs (480-965-9200)
University of Arizona Extended University (520-621-7724)

Workshops are from 8:00 a.m. to 4:00 p.m. Fifteen CPE credits are available. The workshop fee is \$159.00 per person, which includes the two-day workshop, IRS and Arizona Department of Revenue materials and lunch.

In cooperation with
US Internal Revenue Service
Arizona Department of Revenue

For more information and to register contact the locations or go to www.asu.edu/xed/tax

ARIZONA DEPARTMENT OF REVENUE CONTACT INFORMATION

To obtain copies of forms or other administrative pronouncements:

By Internet, visit our Web site: www.revenue.state.az.us Click on either the "Tax Forms" or "Publications".

*By FAX, call our TaxFax at (602) 542-3756.

*By telephone, call our Forms Order Line at (602) 542-4260.

For refund information:

Call our Automated Taxpayer Information System from a touch tone telephone: (602) 255-3381 or (800) 352-4090 toll-free statewide, outside of Maricopa County between 8:00 A.M. Monday - 5:00 P.M. Friday.

Other taxpayer services:

To speak with a taxpayer assistant regarding Individual/Corporate Income tax call (602) 255-3381 or toll free statewide outside Maricopa County (800) 352-4090 (8:00 A.M. - 5:00 P.M.). For Business/Withholding tax questions, call (602) 255-2060 or toll free statewide outside Maricopa County (800) 843-7196. All Office Walk-In Assistance open 8:00 A.M. - 5:00 P.M.

Calendar Deadlines:

View AZDOR calendars here: www.revenue.state.az.us/duedates.pdf